



PUBLIC NOTICE

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DA 16-390

Released: April 11, 2016

WIRELINE COMPETITION BUREAU AUTHORIZES FRONTIER TO RECEIVE OVER \$48.5 MILLION IN CONNECT AMERICA PHASE II SUPPORT IN CALIFORNIA AND TEXAS

WC Docket No. 10-90

By this Public Notice, the Wireline Competition Bureau (Bureau) authorizes Frontier Communications Corporation (Frontier) to receive Connect America Phase II model-based (Phase II) support for the states of California and Texas in the areas served by former Verizon Communications Inc. (Verizon) subsidiaries.¹

In August 2015, Verizon accepted Phase II support conditioned “upon issuance and acceptance of” regulatory approvals for Frontier’s acquisition of all the ownership interest of certain Verizon subsidiaries, including Verizon California Inc. (Verizon California) and GTE Southwest Incorporated d/b/a Verizon Southwest (Verizon Texas).² The Bureau directed the Universal Service Administrative Company (USAC) to suspend the payment of Connect America support to Verizon in these two states for the month of August and thereafter, until the Bureau received notice that the transaction had closed and subsequently released a public notice directing USAC to obligate and disburse to Frontier the deferred support payments from the Universal Service Fund.³

On December 16, 2015, Verizon notified the Commission that it had received all the regulatory approvals needed to complete the transaction and requested that USAC continue to defer the Phase II payments until the transaction had been closed.⁴ On April 1, 2016, Frontier and Verizon notified the Bureau that the transaction has closed.⁵ Frontier also committed to satisfy the service obligations for

¹ On April 29, 2015, the Bureau released a public notice announcing the offers of model-based Phase II support to each price cap carrier to fund the deployment of voice and broadband-capable networks in their service territories. *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, Public Notice, 30 FCC Rcd 3905 (WCB 2015). Frontier was authorized to receive over \$283 million in Phase II support for 28 states in June 2015. *Wireline Competition Bureau Authorizes Frontier Communications Corporation to Receive Over \$283 Million in Connect America Phase II Support to Serve 1.3 Million Rural Americans in 28 States*, Public Notice, 30 FCC Rcd 6310 (WCB 2015).

² See Letter from Christopher Creager, Senior Vice President West Area Operations, Strategic Initiatives, Verizon Communications Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Aug. 27, 2015).

³ *Verizon Communications Inc. Conditionally Accepts Over \$48.5 Million in Connect America Phase II Support in California and Texas*, Public Notice, 30 FCC Rcd 8594 (WCB 2015).

⁴ See Letter from Christopher Creager, Senior Vice President West Area Operations, Strategic Initiatives, Verizon Communications Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Dec. 16, 2015).

⁵ Letter from Kathleen Q. Abernathy, Executive Vice President, External Affairs, Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Apr. 1, 2016); Letter from Alan Buzacott, Executive Director, Federal Regulatory Affairs, Verizon, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Apr. 1, 2016).

Phase II.⁶ Accordingly, we authorize and direct USAC to obligate and disburse from the Universal Service Fund the support amounts identified below for California and Texas to Frontier. In California, the Phase II support will exceed the amount of Phase I frozen support that Verizon received in the state.⁷ Thus, the first disbursement for California shall include a lump sum payment for the deferred support amounts associated with August 2015 through March 2016 as well as a true-up amount for January 2015 through July 2015 to reflect the difference between Phase II and Phase I frozen support. In Texas, Verizon received more Phase I frozen support than the Phase II support allocated to the state.⁸ Thus, the first disbursement for Texas shall include a lump sum payment for the deferred support amounts associated with August 2015 through March 2016 as well as transitional support.

State	Number of Funded Locations	Amount of Support
Total	114,610	\$48,554,986
CA	77,402	\$31,978,057
TX	37,208	\$16,576,929

For additional information on this proceeding, contact Heidi Lankau (Heidi.Lankau@fcc.gov) of the Wireline Competition Bureau, Telecommunications Access Policy Division, (202) 418-7400.

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⁶ Letter from Kathleen Q. Abernathy, Executive Vice President, External Affairs, Frontier Communications Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Apr. 4, 2016).

⁷ See *Connect America et al.*, Report and Order, 29 FCC Rcd 15644, 15677-78, paras. 92-93 (2014) (directing USAC to make a lump sum payment in the month after the authorization public notice to price cap carriers that will receive more Phase II support than Phase I frozen support representing the additional amount of Phase II support that accrued for the months of 2015 prior to the price cap carrier’s acceptance).

⁸ See *Connect America et al.*, Report and Order et al., 29 FCC Rcd 7051, 7067-68, para. 52 (2014) (adopting a transition period for price cap carriers that receive less Phase II support than Phase I frozen support so that in the first year the price cap carrier will receive in addition to its Phase II support, 75 percent of the difference between the annualized amount of Phase II support it accepted and the amount of Phase I frozen high-cost support it received in 2014; the second year the price cap carrier would receive 50 percent of the difference; in the third year it would receive 25 percent of the difference; and in the final years it would receive only Phase II support). See also *Wireline Competition Bureau Addresses Transition to Model-Based Support for Carriers that Accepted the Offer of Phase II Connect America Fund Support*, Public Notice, 30 FCC Rcd 9780 (WCB 2015) (directing USAC to treat August 1, 2015 through July 31, 2016 as the first year of the transition to the lower Phase II amount).